

1998

# AICPA professional standards: Bylaws as of June 1, 1998

American Institute of Certified Public Accountants

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**AICPA**

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

# ***AICPA Professional Standards***

## ***Volume 2***

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**Accounting & Review Services**

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**Code of Professional Conduct**

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**Bylaws**

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**International Accounting**

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**International Auditing**

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**Personal Financial Planning**

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**Continuing Professional Education**

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**As of June 1, 1998**



# Bylaws of the American Institute of Certified Public Accountants

As Amended October 28, 1997

## DEFINITIONS

As used in these bylaws, implementing resolutions of Council thereunder, or the Code of Professional Conduct, masculine terms shall be understood to include the feminine; "state" shall be understood to include the District of Columbia, Puerto Rico, and the territories, or territorial possessions of the United States of America; "partner" shall be understood to include partner equivalents, and any shareholders, or other equity owners of a professional corporation or association; "partnership" shall be understood to include professional corporations and associations; and "committee" shall be understood to include any board (except the AICPA Board of Directors), division, task force or any subdivision thereof.

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[The next page is 5303.]

**BL Section 100****1. NAME AND PURPOSE**

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**[The next page is 5311.]**



**BL Section 101*****Name and Purpose***

**As amended  
January 12, 1988**

.01 The name of this organization shall be the American Institute of Certified Public Accountants. In keeping with the Institute's certificate of incorporation, its objectives shall be to unite certified public accountants in the United States; to promote and maintain high professional standards of practice; to assist in the maintenance of standards for entry to the profession; to promote the interests of CPAs; to develop and improve accounting education; and to encourage cordial relations between CPAs and professional accountants in other countries.

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**[The next page is 5321.]**

**BL Section 200**

**2. ADMISSION TO, AND RETENTION OF, MEMBERSHIP AND ASSOCIATION**

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**[The next page is 5331.]**



## **BL Section 210**

### **2.1 Members**

**As amended  
January 12, 1988**

**.01 Members of the Institute shall be**

**2.1.1 Members of the Institute at the effective date of these bylaws,  
and**

**2.1.2 Persons who shall qualify for admission as provided in section  
2.2 of this article and who shall be admitted under procedures adopted by  
the Board of Directors.**

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**[The next page is 5341.]**

**BL Section 220****2.2 Requirements for Admission to Membership**

**As amended  
January 12, 1988,  
unless otherwise  
indicated**

**.01** The following persons may qualify for admission as members of the Institute:

**2.2.1** Those who are in possession of a valid and unrevoked certified public accountant certificate issued by a legally constituted state authority,

**2.2.2** Who shall have passed an examination in accounting and other related subjects satisfactory to the Board of Directors.

**2.2.3** Who, if engaged in the practice of public accounting as a proprietor, partner, or shareholder or as an employee who has been licensed as a CPA for more than two years, are practicing in a firm enrolled in an Institute-approved practice-monitoring program if the services performed by such a firm are within the scope of the AICPA's practice-monitoring standards and the firm issues reports purporting to be in accordance with AICPA professional standards.

[As amended October 28, 1997.]

(See section 220R.)

**2.2.4** Those applying for membership who first become eligible to take the examination required by section 2.2.2 after the year 2000 who shall have obtained 150 semester hours of education at an accredited college or university including a bachelor's degree or its equivalent.

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[The next page is 5351.]



**BL Section 220R****Implementing Resolution Under Section 2.2  
Requirements for Admission to Membership**

As amended  
October 24, 1994,  
unless otherwise  
indicated

**Under Sections 2.2.3 and 2.3.4 to Implement the  
Practice-Monitoring Requirement*****Resolved:***

.01 That the Board of Directors is authorized to establish within the Institute a peer review division governed by an executive committee named the "peer review board" having senior status with authority to carry out the activities of the division. The primary activities of the division will be to establish and conduct, in cooperation with state CPA societies, a practice-monitoring program for AICPA and state society members engaged in the practice of public accounting who are practicing in firms enrolled in the program or required pursuant to their membership in the private companies practice section of the AICPA division for CPA firms to participate in it. Such activities shall not conflict with the policies and standards of the AICPA and shall be subject to the oversight of the Board of Directors. The nominees to serve on the peer review board shall be selected by the AICPA nominations committee and the members of the board shall be elected by Council.

***Further Resolved:***

.02 That members of the Institute engaged in the practice of public accounting shall be associated as proprietors, partners, shareholders, or employees of a firm enrolled in an approved practice-monitoring program as designated in this resolution if the services performed by such a firm are within the scope of the AICPA's practice-monitoring standards and the firm issues reports purporting to be in accordance with AICPA professional standards. A member firm of the AICPA division for CPA firms or a firm enrolled in the practice-monitoring program established by this resolution shall be deemed to be enrolled in an approved practice-monitoring program under sections 2.2.3 and 2.3.4 of the bylaws. A firm which is dropped for disciplinary reasons from enrollment in either section of the AICPA division for CPA firms or from the practice-monitoring program established hereunder is ineligible to participate in another Institute-approved practice-monitoring program until the cause of the disciplinary action is removed.

[As amended October 28, 1997.]

***Further Resolved:***

.03 That a member engaged in the practice of public accounting, as a proprietor, partner, or shareholder is not eligible for AICPA membership unless

his or her firm is enrolled in an approved practice-monitoring program if the services performed by such a firm are within the scope of the AICPA's practice-monitoring standards and the firm issues reports purporting to be in accordance with AICPA professional standards, and that a member engaged in the practice of public accounting as an employee shall become ineligible two years after becoming licensed as a CPA, unless his or her firm enrolls in an approved program as required by this resolution.

[As amended October 28, 1997.]

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[The next page is 5361.]



**BL Section 230****2.3 Requirements for Retention of Membership**

**As amended  
January 8, 1990,  
unless otherwise  
indicated**

**.01** Members of the Institute shall

**2.3.1** Pay dues as established by Council.

**2.3.2** Conform with these bylaws and the Rules of the Code of Professional Conduct.

**2.3.3** Complete continuing professional education requirements established by Council.

(See section 230R.)

**2.3.4** Engage in the practice of public accounting only with a firm that is enrolled in an Institute-approved practice-monitoring program if the services performed by such a firm are within the scope of the AICPA's practice-monitoring standards and the firm issues reports purporting to be in accordance with AICPA professional standards.

[As amended October 28, 1997.]

(See section 220R, as amended October 24, 1994.)

**2.3.5** Engage in the practice of public accounting with a firm auditing one or more SEC clients as defined by Council only if that is a member of the SEC Practice Section.

(See section 230R.)

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[The next page is 5371.]

## BL Section 230R

### ***Implementing Resolutions Under Section 2.3 Requirements for Retention of Membership***

As amended  
January 12, 1988,  
unless otherwise  
indicated

#### **Under Sections 2.2.3 and 2.3.4 to Implement the Practice-Monitoring Requirement**

[.01-.03] [Deleted March 1995. See section 220R.]

#### **Under Section 2.3.3 Continuing Professional Education for Members in Public Practice**

##### **Effective January 1, 2001**

The following resolution replaces existing Council resolution in paragraph .04 regarding the basic continuing professional education requirements for members in public practice and not in public practice as of January 1, 2001.

##### **Under Section 2.3.3 Continuing Professional Education for Members**

##### ***Resolved:***

That pursuant to section 2.3.3 of the bylaws the continuing professional education requirement for membership in the American Institute of Certified Public Accountants shall be as follows:

From January 1, 2001, forward and for each three-year reporting period thereafter, all AICPA members shall complete 120 hours, or its equivalent, of continuing professional education. Compliance can be achieved either by a formal program of education or by any other means, however measured, that would be reasonably expected to maintain professional competencies in the member's area of practice or employment. Members shall report compliance with such requirement to the AICPA each year and shall keep appropriate records and submit copies of such on request of the Institute.

[As adopted by Council May 7, 1997.]

##### ***Resolved:***

.04 That pursuant to section 2.3.3 of the bylaws the basic continuing professional education requirements for membership in the American Institute of Certified Public Accountants shall be as follows:

For each three-year reporting period beginning with the 1990 calendar year, AICPA members in public practice, except those in retirement, shall complete acceptable continuing education as follows:

- a. A member who complies with a state licensing or state society membership continuing education requirement shall be deemed to be in compliance with this provision, provided such a requirement is for an average of forty hours per year, at a minimum, and provided the member completes at least twenty hours each year and reports such compliance to the AICPA for each calendar year.
- b. A member in public practice who has not complied with a state licensing or state society membership continuing education requirement or if such a requirement is for an average of less than forty hours per year, at a minimum, shall, during each three-year reporting period, complete 120 hours with a minimum of twenty hours each year and shall report such completion to the AICPA for each calendar year.

Members shall keep appropriate records and submit copies of such on request of the Institute.

[As amended by Council September 23, 1989.]

***Further Resolved:***

.05 That the Board of Directors, or a body designated or appointed by it, shall have the power and authority to

- a. Identify and accept methods of learning to meet and measure this continuing professional education requirement.
- b. Grant exceptions for reasons such as retirement, inactive dues status, health, military service, foreign residency, or any other reason it deems appropriate.

[As amended by Council May 7, 1997.]

## Under Section 2.3.3 Continuing Professional Education for Members Not in Public Practice

### Effective January 1, 2001

The following resolution replaces existing Council resolution in paragraph .06 regarding the basic continuing professional education requirements for members in public practice and not in public practice as of January 1, 2001.

### Under Section 2.3.3 Continuing Professional Education for Members

#### **Resolved:**

That pursuant to section 2.3.3 of the bylaws the continuing professional education requirement for membership in the American Institute of Certified Public Accountants shall be as follows:

From January 1, 2001, forward and for each three-year reporting period thereafter, all AICPA members shall complete 120 hours, or its equivalent, of continuing professional education. Compliance can be achieved either by a formal program of education or by any other means, however measured, that would be reasonably expected to maintain professional competencies in the member's area of practice or employment. Members shall report compliance with such requirement to the AICPA each year and shall keep appropriate records and submit copies of such on request of the Institute.

[As adopted by Council May 7, 1997.]

#### **Resolved:**

.06 That pursuant to section 2.3.3 of the bylaws the basic continuing professional education requirements for membership in the American Institute of Certified Public Accountants shall be as follows:

For each three-year reporting period beginning with the 1990 calendar year, AICPA members not in public practice, except those in retirement, shall complete acceptable continuing education as follows:

- a. A member who complies with a state licensing or state society membership continuing education requirement shall be deemed to be in compliance with this provision, provided such a requirement is for an average of thirty hours per year (20 hours per year in the first three years unit engaged in public practice shall, during the first three-year reporting period), at a minimum, and provided the member completes at least 15 hours each year (ten hours per year in the first reporting period) and reports such compliance to the AICPA for each calendar year.
- b. A member not in public practice who has not complied with a state licensing or state society membership continuing education requirement or if such a requirement is for an average of less than twenty hours per year, at a minimum, for the first three-year reporting period and for an average of thirty hours, at a minimum, for all subsequent reporting periods, shall, during the first three-year reporting period ending with the calendar year 1992, completes sixty hours with a minimum of ten hours in each year and shall, during



subsequent three-year reporting periods, complete ninety hours with a minimum of fifteen hours each year and shall report such completion to the AICPA for each calendar year.

Members shall keep appropriate records and submit copies of such on request of the Institute.

[As amended by Council September 23, 1989.]

***Further Resolved:***

.07 That the Board of Directors, or a body designated or appointed by it, shall have the power and authority to

- a. Identify and accept methods of learning to meet and measure this continuing professional education requirement.
- b. Grant exceptions for reasons such as retirement, inactive dues status, health, military service, foreign residency, or any other reason it deems appropriate.

[As amended by Council May 7, 1997.]

## **Under Section 2.3.5, Definition of "SEC Client"**

***Resolved:***

.08 That for purposes of section 2.3, an SEC client is

- An issuer making an initial filing, including amendments, under the Securities Act of 1933.
- A registrant that files periodic reports (for example, forms N-SAR and 10-K) with the SEC under the Securities Exchange Act of 1934 (except brokers or dealers registered only because of Section 15(a) of that Act) or the Investment Company Act of 1940.

[As adopted by Council January 8, 1990.]

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[The next page is 5381.]

**BL Section 240****2.4 Certificate of Membership**

**As amended  
January 12, 1988**

.01 Upon admission each member shall be entitled to a certificate setting forth that he is a member of the Institute, but no certificate shall be issued until receipt of dues for the current year. Certificates of membership shall be returned upon the demand of the secretary of the Institute in the event of suspension or termination of membership.

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**[The next page is 5391.]**

**BL Section 250*****2.5 Right of Members to Describe  
Themselves as Such***

**As amended  
January 12, 1988**

.01 A member of the Institute shall be entitled to use the designation "Member of the American Institute of Certified Public Accountants." A firm all of whose CPA partners are members shall be entitled to use the designation "Members of the American Institute of Certified Public Accountants."

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**[The next page is 5401.]**

**BL Section 260****2.6 International Associates**

**As amended  
January 12, 1988**

.01 International associates shall include those who were international associates on the effective date of these bylaws. Thereafter, citizens of other countries who shall satisfy such requirements as the Council may prescribe may be admitted as international associates. The Council shall adopt rules governing such association and indications thereof.

(See section 260R.)

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[The next page is 5411.]

**BL Section 260R*****Implementing Resolution Under Section 2.6  
International Associates***

**As adopted  
May 7, 1997**

***Resolved:***

.01 That a new category of nonvoting international associate be created pursuant to bylaw section 2.6 and made available to all certified public accountants or chartered accountants, or their equivalents, who are members of associations belonging to the International Federation of Accountants (IFAC) and who are of good moral character and do not hold a CPA certificate issued by a U.S. jurisdiction. If reasonably practicable and appropriate, except for voting, eligibility for a seat on Council or as a nonpublic member of the Board of Directors, all other member benefits will be made available to international associates.

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**[The next page is 5421.]**

## BL Section 300

# 3. ORGANIZATION AND PROCEDURE

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**[The next page is 5431.]**



## **BL Section 310**

### **3.1 General**

**As amended  
January 12, 1988**

.01 The organization of the Institute shall include the members, the Council, the Board of Directors, officers, and committees.

.02 The Board of Directors may from time to time organize the committees and staff of the Institute into divisions and, subject to section 3.6, may adopt rules of procedure and operating policies for such divisions.

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**[The next page is 5441.]**

## BL Section 320

### 3.2 Membership

As amended  
June 17, 1996

.01 The rights and powers of the membership of the Institute shall be as defined herein.

#### 3.2.1 Attendance at Meetings

Every member and international associate of the Institute shall be entitled to attend all meetings of the Institute.

#### 3.2.2 Voting Rights

Every member, but no international associate, shall be entitled to vote in person, when in attendance, upon all questions brought before duly called meetings of the Institute, and by mail ballot for the election of Council members pursuant to sections 6.1 through 6.1.6, on proposed amendments to these bylaws or to the Code of Professional Conduct as provided in article 8, and upon proposed resolutions of the membership as provided in section 5.1.4.

#### 3.2.3 Residence for Voting Purposes

The state from which a member may vote shall be that indicated by his mailing address as carried in the official records of the Institute, and may be either the state in which he resides or that in which his office is located.

#### 3.2.4 Resolutions of the Membership

As provided in section 5.1.4, the members by mail ballot may enact resolutions of the membership, not inconsistent with these bylaws, which shall be binding upon the membership, the Council, the Board of Directors, officers, committees, and staff.

#### 3.2.5 Certain Positions to Be Held Only by Members

Only members of the Institute, as defined in section 2.1, may serve as members of the Council, the Board of Directors, or any committee or board, except the board of examiners, designated as "senior" by the Council (see section 3.6.1), or as "permanent" by these bylaws (see section 3.6.2); provided, however, that three representatives of the public, none of whom shall be members of the Institute, shall be members of the Board of Directors.

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[The next page is 5451.]

## BL Section 330

### 3.3 Council

As amended  
January 12, 1988

- .01 The governing body of the Institute shall be the Council.

#### 3.3.1 Composition

The Council shall be composed of

3.3.1.1 Members of the Institute directly elected by the membership in each state in accordance with sections 6.1.1 through 6.1.6;

3.3.1.2 Representatives of the recognized state societies of certified public accountants selected in accordance with section 6.2;

3.3.1.3 Twenty-one members-at-large selected in accordance with section 6.3;

3.3.1.4 All members of the Board of Directors of the Institute;

3.3.1.5 All past presidents of the American Institute of Certified Public Accountants who served prior to December 31, 1973, and are members of the Institute;

3.3.1.6 All past chairmen of the board of the American Institute of Certified Public Accountants who are members of the Institute.

#### 3.3.2 Powers

The Council may exercise all powers requisite for the purposes of the Institute, not inconsistent with these bylaws or with duly enacted resolutions of the membership, including but not limited to the authority to prescribe the policies and procedures of the Institute and to enact resolutions binding upon the Board of Directors, the officers, committees, and staff.

#### 3.3.3 Reports to Membership

The actions of the Council shall be reported to the membership at least annually.

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[The next page is 5461.]

**BL Section 340****3.4 Board of Directors**

**As amended  
January 12, 1988**

.01 Between meetings of the Council, the activities of the Institute shall be directed by the Board of Directors, the composition of which shall be prescribed by the Council.

(See section 340R.)

**3.4.1 Powers**

The Board of Directors shall act as the executive committee of Council between meetings of Council, shall control and manage the property, business, and activities of the Institute, and shall take whatever action it deems desirable including the establishment of policies for the conduct of the affairs of the Institute consistent with the provisions of these bylaws, resolutions of the membership, or actions of the Council.

**3.4.2 Reports to Council**

The actions of the Board of Directors shall be reported to the Council at least semiannually.

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[The next page is 5471.]

**BL Section 340R****Implementing Resolution Under Section 3.4  
Board of Directors**

**As amended  
May 23, 1994**

***Resolved:***

- .01** That the Board of Directors shall be composed of
- (a) The chairman, the vice chairman, and the immediate past chairman of the Board of Directors;
  - (b) The president of the Institute;
  - (c) Sixteen present or former members of the Council elected pursuant to section 6.3 to serve for three years or until the election of their successors; and
  - (d) Three representatives of the public, who are not members of the Institute.
- 

**[The next page is 5481.]**

**BL Section 350****3.5 Officers Elected by Council**

**As amended  
June 17, 1996**

.01 The officers of the Institute elected by the Council shall be a chairman of the Board of Directors and a vice chairman of the board, who shall be the chairman of the board nominee, both of whom shall be members possessing valid and unrevoked certified public accountant certificates. The chairman and the vice chairman of the board shall have such terms of office, powers, and privileges as the Council may prescribe.

(See section 350R.)

**3.5.1 Officers Appointed by the Board of Directors**

The officers of the Institute appointed by the Board of Directors shall be a president, who shall be a full-time employee of the Institute and who shall be a member possessing a valid and unrevoked certified public accountant certificate, and a secretary, who shall be a full-time employee of the Institute, but need not be a member of the Institute. The president and the secretary shall have such terms of office, powers, and privileges as the Board of Directors may prescribe. The Board of Directors may also appoint staff vice presidents who shall be neither members of the board nor of the Council and who shall perform such duties as may be assigned to them by the president.

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[The next page is 5491.]

**BL Section 350R*****Implementing Resolution Under  
Section 3.5 Officers Elected by Council***

**As amended  
January 14, 1992**

***Resolved:*****Term of Office**

.01 That the chairman and the vice chairman of the Board of Directors shall each be elected annually by the Council for a term of one year or until the election of his successor. Neither may succeed himself in the same office after serving a full term of one year. The term of the president and the secretary shall be determined by the Board of Directors.

**Chairman of the Board**

.02 That the chairman of the Board of Directors shall preside at meetings of members of the Institute, the Council, and the Board of Directors. He shall appoint committees and boards as provided in section 3.6 of the bylaws. He shall act as a spokesman for the Institute and appear on its behalf before other organizations.

**Vice Chairman of the Board**

.03 That the vice chairman shall be chairman-nominee of the Board of Directors and shall preside in the absence of the chairman at meetings of the Institute, the Council, and the Board of Directors. He shall familiarize himself with the duties of the office of chairman and shall perform such other related duties as may be assigned to him by the chairman.

**President**

.04 That the president shall have full responsibility for the execution of the policies and programs of the Institute, act as a spokesman for the Institute, and perform such other services as may be assigned to him by the Council and the Board of Directors.

**Secretary**

.05 That the secretary of the Institute shall have the usual duties of a corporate secretary and shall perform such other related duties as may be assigned to him by the president. An assistant secretary to serve in his absence, who need not be a member of the Institute, may be appointed by the Board of Directors.

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[The next page is 5501.]

## BL Section 360

### 3.6 Committees

As amended  
June 17, 1996

.01 Except as otherwise provided by these bylaws or the Council (see section 3.6.1), the chairman of the Board of Directors, or his delegate, may appoint committees and boards with such duties, powers, responsibilities, and procedures as he may prescribe. The chairman of the board and the president shall have the privilege of the floor at meetings of all committees.

(See section 360R.)

#### 3.6.1 Senior Committees

The Council may designate any committee as a "senior" committee. The appointment by the chairman of the Board of Directors of members to senior committees shall require the approval of the Board of Directors. The duties, powers, responsibilities, and procedures of senior committees shall be as the Council may prescribe consistent with the specific provisions of these bylaws.

(See section 360R.)

#### 3.6.2 Permanent Committees, Boards, and Divisions

The following shall be permanent committees, boards, or divisions of the Institute: the nominations committee (see section 3.6.2.1); the professional ethics division (see section 3.6.2.2); the trial board (see section 3.6.2.3); and the board of examiners (see section 3.6.2.4).

(See section 360R.)

##### 3.6.2.1 Nominations Committee

There shall be a nominations committee composed of eleven members of the Institute, elected by the Council in such manner as the Council shall prescribe. It shall be the responsibility of the committee to make nominations for the offices of chairman of the Board of Directors, vice chairman of the Board of Directors, the elected members of the Board of Directors, the joint trial board, the peer review board, and the Council, as elsewhere provided in these bylaws, and to apportion among the states directly elected Council seats pursuant to section 6.1.2.

(See section 360R.)

##### 3.6.2.2 Professional Ethics Division

The executive committee of the professional ethics division shall serve as the ethics committee of the Institute, and there shall be such other committees within the division as the Board of Directors shall authorize. The executive committee shall (1) subject to amendment, suspension, or revocation by the Board of Directors, adopt rules governing procedures consistent with these bylaws or actions of Council to investigate potential disciplinary matters involving members, (2)



arrange for presentation of a case before the trial board where the committee finds prima facie evidence of infraction of these bylaws or of the Code of Professional Conduct, (3) interpret the Code of Professional Conduct, (4) propose amendments thereto, and (5) perform such related services as the Council may prescribe.

(See section 360R.)

### **3.6.2.3 Joint Trial Board**

There shall be a trial board consisting of members possessing a valid and unrevoked certified public accountant certificate, each of whom shall have been a member for at least five consecutive years prior to his or her appointment to the joint trial board, to adjudicate disciplinary charges against members of the Institute pursuant to section 7.4. Members of the trial board shall be elected by the Council for such terms as the Council may prescribe.

The trial board is empowered to adopt rules, consistent with these bylaws or actions of the Council, governing procedure in cases heard by any hearing panel, and in connection with any application for review of a decision of a hearing panel.

Decisions of any hearing panel shall be subject to review only by the trial board.

(See section 360R.)

### **3.6.2.4 Board of Examiners**

There shall be a board of examiners, consisting of persons who have passed the Uniform CPA Examination and who possess valid and unrevoked certified public accountant certificates, appointed by the chairman of the Board of Directors subject to the approval of the Board of Directors. It shall supervise the preparation of a uniform examination which may be adopted by the legally constituted authorities of the states in examining candidates for the certified public accountant certificate and the conduct of the grading service offered by the Institute. The board of examiners shall formulate the necessary rules and regulations for the conduct of its work, but all such rules and regulations may be amended, suspended, or revoked by the Board of Directors. The board of examiners may delegate to members of the Institute's staff or other duly qualified persons the preparation of examination questions and the operation of the grading service conducted by the Institute.

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[The next page is 5511.]

## BL Section 360R

### ***Implementing Resolutions Under Section 3.6 Committees***

**As amended  
January 12, 1988,  
unless otherwise  
indicated**

#### ***Resolved:***

**.01 (1) That the following be designated as senior committees and boards:**

- Accounting and review services committee
- Accounting standards executive committee
- Assurance services executive committee
- Auditing standards board
- Board of examiners
- Continuing professional education board of management
- Information technology executive committee
- Management consulting services executive committee
- Peer review board
- Personal financial planning executive committee
- Private companies practice executive committee
- Professional ethics executive committee
- SEC practice section executive committee
- Tax executive committee

and further

[As amended by Council May, 1988 and May, 1991; revised April, 1992; amended October, 1994; revised June, 1996; revised May, 1997.]

**.02 (2) That the following senior technical committees be authorized to make public statements, without clearance with the Council or the Board of Directors, on matters related to their area of practice:**

- Accounting and review services committee
- Accounting standards executive committee
- Assurance services executive committee
- Auditing standards board
- Management consulting services executive committee
- Peer review board
- Personal financial planning executive committee
- Private companies practice executive committee

- Professional ethics executive committee
- SEC practice section executive committee
- Tax executive committee

[As amended by Council May, 1988 and May, 1991; revised April, 1992; amended October 24, 1994; revised May, 1997]

### **Under Section 3.6.2.1 Nominations Committee**

#### ***Resolved:***

.03 That the nominations committee shall be chaired by the immediate past chairman of the Board and shall consist of ten additional members serving two-year terms. At the Council meeting preceding the Annual meeting, the Board of Directors, after having considered at least ten candidates, shall recommend five members for election to the nominations committee for a two-year term. At any one time, no more than seven members shall be members of Council, and none except the chairman shall be a member of the Board of Directors. Other nominations from the floor shall be permitted. Voting shall be by voice vote of the incoming Council, or, if requested by a majority of those present, by written ballot. A majority vote shall elect. With the exception of its chairman, no member, having served on the nominations committee, shall be eligible again to serve on the nominations committee until the passage of five years.

[As amended by Council May, 1991.]

#### ***Further Resolved:***

.04 That the nominations committee shall not select any of its members for positions to be filled by the committee.

### **Under Section 3.6.2.2 Professional Ethics Division**

#### ***Resolved:***

.05 That in cases where the professional ethics executive committee concludes that a prima facie violation of the Code of Professional Conduct or bylaws is not of sufficient gravity to warrant further formal action, the committee may direct the member or members concerned to complete specified continuing professional education courses, or to take other remedial or corrective action, provided, however, that there will be no publication of such action in the Institute's principal membership periodical and the member concerned is notified of his right to reject such direction. In the case of such a rejection, the professional ethics executive committee shall determine whether to bring the matter to a hearing panel of the trial board for a hearing.

#### ***Further Resolved:***

.06 That in cases where there is prima facie evidence of one or more actions by or with respect to a member as described in subparagraphs 7.4.1 through and including 7.4.6 of bylaw section 7.4, the professional ethics executive committee may decide to offer the member or members concerned the opportunity to avoid further investigation and a possible hearing before the

trial board by entering into a settlement agreement under such terms and conditions as the committee deems appropriate including but not limited to agreement by the member or members (a) to resign from membership or (b) to complete specified continuing professional education courses and/or to submit to independent preissuance review of some or all financial statements and accountant's reports and/or submit to an accelerated quality or peer review, and/or to perform other remedial or corrective action as the committee may determine and/or (c) to submit to termination or suspension of membership with publication in a membership periodical of the Institute of the name of the member or members and the terms and conditions of the agreement as provided in Council resolutions under bylaw section 7.6. The committee shall monitor compliance with the settlement agreement and may initiate an investigation where it finds there has been noncompliance.

.07 A member's rejection of the terms and conditions of a proposed settlement agreement will not in any way affect the rights of a member under the bylaws and implementing resolutions in any subsequent investigation by the professional ethics executive committee in a hearing before the trial board.

[As adopted by Council May 26, 1993.]

### **Under Section 3.6.2.3 Joint Trial Board**

#### ***Resolved:***

.08 That the joint trial board shall consist of at least thirty-six members elected for a three-year term by Council on a staggered basis on nomination of the nominations committee. No member shall serve more than two full successive terms. The size of the trial board shall be determined by the Board of Directors. No member of the Institute's professional ethics division, of a state society ethics committee, or of a state board of accountancy shall be a member of the trial board.

[As revised by Council June 17, 1996.]

.09 The trial board shall elect from its membership a chairman and a vice chairman, the vice chairman to serve as chairman during any period of unavailability of the chairman. It shall also elect a secretary who need not be a member.

.10 The chairman or vice chairman, when acting as chairman, pursuant to the trial board rules of practice and procedure, may appoint from the members of the trial board a panel of not less than five members, which may, but need not, include himself to sit as a sub-board and hear and adjudicate charges against members, or an ad hoc committee consisting of not less than three members of the trial board to consider requests for nonapplication of sections 7.2 and 7.3. Decisions of sub-boards shall be reviewable by the trial board under the conditions and procedures as provided for in Council resolution under section 7.4 of the bylaws.

#### ***Resolved:***

.11 That the trial board is authorized to receive and act on petitions requesting review of a decision of the peer review board terminating a firm's participation in the practice-monitoring program. Following such review, the trial board may affirm, modify, or reverse all or any part of the peer review board's decision, but it may not increase the severity of the peer review board's sanction.

[As revised by Council June 17, 1996.]

***Resolved:***

.12 That the trial board may hear and adjudicate charges involving alleged violations of a state CPA society's bylaws or code of professional conduct when there is in force a written agreement for such procedure between the Institute and the state CPA society concerned.

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[The next page is 5521.]

## BL Section 400

# 4. FINANCIAL MANAGEMENT AND CONTROLS

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[The next page is 5531.]

**BL Section 401*****Financial Management and Controls***

**As amended  
January 12, 1988**

**.01** The Council shall have authority to prescribe such procedures as it deems appropriate to assure adequate budgetary and financial controls. Budgets shall be prepared and presented as the Council shall prescribe.

(See section 401R.)

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**[The next page is 5541.]**

**BL Section 401R*****Implementing Resolution Under Article 4  
Financial Management and Controls***

**As amended  
January 12, 1988**

***Resolved:***

**.01** That annual budgets and projections of revenues and expenditures for the succeeding four years shall be prepared by the Institute's staff, reviewed and approved by the Board of Directors, and presented to Council for approval at its meeting preceding the annual meeting; such budgets shall be in a form indicating the costs of the principal programs and activities of the Institute; material variations from the annual budget shall be reported to the Council at its spring meeting by the Board of Directors; receipt of such report without rejection shall constitute authority to continue expenditures for purposes indicated in the annual budget, as modified and presented at the spring meeting, until a new budget for the following fiscal year is approved by the Council. However, the Board of Directors may, between meetings of Council, authorize additional expenditures in total not to exceed 5 percent of budgeted revenues from all sources.

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**[The next page is 5551.]**



**BL Section 410****4.1 Audit**

**As amended  
January 12, 1988**

.01 The Council shall, for each fiscal year, appoint a certified public accountant or certified public accountants to express an opinion on the financial statements of the Institute and its affiliated organizations. The financial statements of the Institute and the report of the auditor or auditors for each fiscal year shall be published for the information of the membership.

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**[The next page is 5561.]**

**BL Section 420****4.2 Committee on Audit**

**As amended  
January 12, 1988**

.01 The chairman of the board shall appoint from among the members of the Board of Directors, other than the officers, a committee on audit to make arrangements with the auditor or auditors for their examination and to review the audit report.

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**[The next page is 5571.]**

**BL Section 430*****4.3 Execution of Instruments on Behalf of the Institute***

**As amended  
January 12, 1988**

.01 All checks, drafts, deeds, mortgages, bonds, contracts, reports, proxies, and other instruments may be executed on behalf of the Institute by such officers or employees as the Council or the Board of Directors may from time to time designate, either generally or in specific instances.

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**[The next page is 5581.]**

**BL Section 440****4.4 Indemnification**

**As amended  
January 12, 1988**

.01 The Institute shall indemnify to the full extent authorized by law for the good faith exercise of judgment in the performance of assigned duties any person made or threatened to be made a party to any action, suit, or proceeding, whether criminal, civil, administrative, or investigative, by reason of the fact that he, his testator, or intestate is or was a member of Council, the Board of Directors, or any committee, trustee, officer, employee, or agent of the Institute or any affiliated entity or serves or served any other enterprise as a director, trustee, officer, employee, or agent at the request of the Institute.

.02 Without limiting the generality of the foregoing, the Institute may contract for insurance against all or a portion of any liabilities and expenses, if any, resulting from the indemnification of any of the foregoing persons pursuant to this section or otherwise as permitted by law, and may also contract for companion insurance directly insuring any or all of such persons against liabilities and expenses.

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**[The next page is 5591.]**

**BL Section 450****4.5 Dues**

**As amended  
January 14, 1992**

.01 The Council shall determine the annual dues which shall be paid by each member and international associate in accordance with such classifications as it deems appropriate, and may require dues of a different amount for each class so created.

.02 Dues shall be payable on or before the first day of each fiscal year of the Institute or in such other manner as the Council shall prescribe. For new members or international associates, dues shall be apportioned to the end of the fiscal year.

.03 No dues shall be paid by members or international associates of the Institute while they are engaged in military service of the United States or its allies during war. Individual members or international associates may be excused from payment of dues for reasonable cause by the chairman of the Finance Committee.

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[The next page is 5601.]

**BL Section 460*****4.6 Fiscal Year***

**As amended  
January 12, 1988**

**.01** The fiscal year of the Institute shall be as the Council shall prescribe.

(See section 460R.)

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**[The next page is 5611.]**

**BL Section 460R*****Implementing Resolution Under Section 4.6  
Fiscal Year***

**As amended  
January 12, 1988**

***Resolved:***

.01 That the fiscal year of the Institute shall be the twelve months beginning August 1 and ending July 31.

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**[The next page is 5621.]**

BL Section 500

5. MEETINGS OF THE INSTITUTE AND THE COUNCIL

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[The next page is 5631.]



**BL Section 501*****Meetings of the Institute and the Council***

**As amended  
January 12, 1988**

**.01** This article shall govern meetings of the Institute and of the Council. The Board of Directors shall determine the dates of meetings of Council and the matters to be presented for action.

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**[The next page is 5641.]**

## **BL Section 510**

### ***5.1 Meetings of the Institute***

**As amended  
January 12, 1988**

.01 The membership shall meet pursuant to sections 5.1.1 through 5.1.3, conduct its business pursuant to section 5.1.3, and may adopt resolutions pursuant to section 5.1.4. Meetings of the membership shall be known as meetings of the Institute.

#### **5.1.1 Regular Meetings of the Institute**

There shall be a regular meeting of the Institute within three months after the close of the fiscal year, on a date to be fixed by the Board of Directors. This meeting shall also be known as the annual meeting of the Institute.

#### **5.1.2 Special Meetings of the Institute**

The chairman of the board shall call special meetings of the Institute when so requested by the Council or the Board of Directors, or upon the written request of at least 5 percent of the membership of the Institute or any thirty members of Council. Special meetings of the Institute shall be held at places designated by the Board of Directors. No business shall be transacted at a special meeting of the Institute other than that for which the meeting shall have been convened.

#### **5.1.3 Notice of Meetings of the Institute**

Notice of each meeting of the Institute, whether regular or special, shall be mailed to each member of the Institute, at his mailing address as shown on the official records of the Institute, at least thirty days prior to the date of such meeting.

#### **5.1.4 Resolution of the Membership by Mail Ballot**

A majority of the members of the Institute, assembled at any duly called corporate meeting of the Institute at which a quorum is present, may direct that the chairman of the board submit any question to the entire membership for a vote by mail. Any resolution enacted in such a mail ballot by two-thirds of the members voting shall be declared by the chairman of the board a resolution of the membership and shall be binding, if consistent with these bylaws, upon the Council, the Board of Directors, committees, officers, and staff. Mail ballots shall be valid and counted only if received within sixty days after the date of the mailing of ballot forms.

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[The next page is 5651.]

## **BL Section 520**

### ***5.2 Meetings of Council***

**As amended  
January 12, 1988**

**.01** Meetings of the Council shall be governed by sections 5.2.1 through 5.2.5, section 5.3, and section 6.6.

#### **5.2.1 Regular Meetings of Council**

Regular meetings of the Council shall be held prior to the annual meeting of the Institute and on such other dates as the Council or the Board of Directors may designate.

#### **5.2.2 Special Meetings of Council**

The chairman of the board shall call special meetings of the Council when requested to do so by the Board of Directors or when requested in writing by at least thirty members of the Council. Special meetings of the Council shall be held at places designated by the Board of Directors.

#### **5.2.3 Mail Ballot in Lieu of Special Meeting of Council**

In lieu of a special meeting of the Council, the chairman of the board, with the approval of the Board of Directors, may submit any question to the Council for a vote by mail, and any action therein approved in writing by not less than two-thirds of the whole membership of the Council shall be declared by the chairman of the board an act of the Council and shall be recorded in the minutes of the Council.

#### **5.2.4 Notice**

Notice of each meeting of the Council shall be sent to each member of the Council, at his mailing address as shown in the official records of the Institute, at least twenty-one days before such meeting. Such notice, as far as practicable, shall contain a statement of the business to be transacted.

#### **5.2.5 Minutes**

A copy of the minutes of each meeting of the Council shall be forwarded to each member of the Council within forty-five days after such meeting.

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**[The next page is 5661.]**

**BL Section 530****5.3 General Provisions Governing Meetings**

**As amended  
January 12, 1988**

**.01** The following general provisions shall govern quorum and parliamentary procedure.

**5.3.1 Meetings—Quorum**

Five hundred members of the Institute shall constitute a quorum for the transaction of any business duly presented at any meeting of the Institute. Thirty members of Council shall constitute a quorum of the Council at any duly called meeting of the Council. Eleven members of the Board of Directors shall constitute a quorum of the board.

**5.3.2 Meetings—Rules of Parliamentary Procedure Applicable**

The rules of parliamentary procedure contained in *Robert's Rules of Order Revised* shall govern all meetings of the Institute and of the Council.

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[The next page is 5701.]

## BL Section 600

# 6. ELECTION OF COUNCIL, BOARD OF DIRECTORS, AND OFFICERS OF THE INSTITUTE

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[The next page is 5711.]

**BL Section 601*****Election of Council, Board of Directors, and  
Officers of the Institute***

**As amended  
January 12, 1988**

**.01** Except for ex officio members of Council (see sections 3.3.1.4 through 3.3.1.6), the election of members of the Council, the Board of Directors, and officers of the Institute shall be in accordance with the provisions of this article.

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**[The next page is 5721.]**

## BL Section 610

### ***6.1 Members of Council Directly Elected by Members of the Institute***

**As amended  
June 17, 1996**

.01 Members of Council directly elected by the membership in the respective states (see section 3.3.1.1) shall be elected in accordance with sections 6.1.1 through 6.1.6 as supplemented by Council resolution.

#### **6.1.1 At Least One Member of Council Directly Elected by Membership of Each State**

There shall be at least one member of Council directly elected by the members of the Institute in each state having one or more persons enrolled upon the membership lists of the Institute.

#### **6.1.2 Number and Allocation of Directly Elected Council Seats Among the States**

The total number of directly elected members of Council, in addition to those provided for by section 6.1.1, shall be eighty-five except as modified by section 6.1.2.1. The number of seats, excluding those extended by section 6.1.2.1, shall be equitably allocated among the states in direct proportion to the number of Institute members enrolled from each state.

##### **6.1.2.1 Unexpired Terms Unaffected by Reduced Allocation**

No member of Council directly elected by the membership in any state shall lose his seat for the term he then serves should the allocation of that state be diminished by virtue of section 6.1.2; but, no state's allocation of directly elected Council seats shall be extended by this section beyond the natural expiration of a seat's full term or its vacation by the member filling it, whichever first occurs.

##### **6.1.2.2 Allocation to Be Made by Nominations Committee**

The nominations committee shall make the allocation provided in section 6.1.2. It shall be made at five-year intervals, at least nine months prior to annual meetings to be held each calendar year which ends in one and in six, and shall govern the five annual elections immediately following. It shall be based upon the membership figures and addresses carried on the books of the Institute the last day of the fiscal year immediately preceding the date of such determination.

If a state gains an additional seat from such allocation, the state society may request the nominations committee to authorize election for an initial term of less than three years in order to promote orderly rotation of Council members from that state. Upon receipt of such request, the nominations committee may authorize such shortened term. Following the expiration of such shortened term, subsequent terms for the seat shall be for three years, as provided in section 6.1.3.

In the event that a state has three or more directly elected members whose terms are not evenly staggered over a three-year cycle, the state society may request the nominations committee, for the

election following the year these bylaws are adopted and thereafter in calendar years ending in one and in six, to approve the election of a nominee to fill a vacancy for a term of less than three years in order to effect a more orderly rotation of the Council members from that state. The nominations committee may authorize such shortened term. Subsequent terms for such a seat shall be three years, as provided in section 6.1.3.

#### **6.1.3 Term of Office**

Except as specified by this section 6.1.3, the term of office of a directly elected member of the Council shall commence when his election is announced by the chairman of the Board of Directors at the meeting of the Council held in conjunction with the annual meeting of the Institute, as prescribed by section 6.6, and shall run until the announcement of the election of new directly elected members of the Council at the meeting of the Council held in conjunction with the annual meeting of the Institute three years after his election. If any such member of the Council shall not serve his full term, the vacancy so created may be filled pursuant to section 6.5. The term of office of any member directly elected by the members in his state to fill such vacancy shall be the remainder of the three-year term with respect to which the vacancy occurred.

No member having served for two consecutive full terms as a directly elected member of the Council shall be eligible to serve another such term until at least one year after the completion of his second consecutive full term.

#### **6.1.4 Number of Council Seats to Be Filled by Election**

The number of Council seats to be filled in a state's quota of directly elected members of the Council for any given year shall be the number of its allocation of directly elected Council seats less the number of members of the Council from that state filling such seats for terms running through that year.

#### **6.1.5 Nominations**

At least eight months prior to the annual meeting of the Institute, the nominations committee shall request, from the recognized society of certified public accountants in each state for which any vacancies (see section 6.1.4) will arise in the coming year, the names of suggested candidates from the state represented by such society to fill each such vacancy. The committee shall give due consideration to the names so submitted, but shall not be required to select its nominees from among such names. In the absence of a satisfactory response from any such state society, the nominations committee shall select the nominees from such state.

The nominations committee shall make its nominations for directly elected members of the Council at least six months prior to the annual meeting of the Institute. Notice of such nominations shall be published to the membership by the secretary at least five months prior to the annual meeting of the Institute. Any twenty members of the Institute from any given state for which a vacancy shall arise may submit to the secretary independent nominations for directly elected members of the Council from that state provided that such nominations be filed with the secretary at least four months prior to the annual meeting of the Institute.

#### **6.1.6 Election**

The nominees of the nominations committee for directly elected seats on Council shall be declared elected by the secretary if no independent nominations are filed for such seats as required by section 6.1.5.



The secretary shall mail to all members of the Institute in each state in which there is a contest for a directly elected seat on Council, at least ninety days prior to the annual meeting of the Institute, mail ballots containing the names and relevant background information of nominees from that state nominated by the nominations committee and the names and relevant background information of nominees independently nominated. Each ballot shall contain an announcement that votes will be counted only if received by the secretary at least forty-five days before the annual meeting of the Institute. Election to contested seats on Council shall be determined by a majority of the votes received from each jurisdiction by that date. Mail ballots shall be counted by the secretary, who shall certify the results for publication to the membership. Newly elected members shall be notified promptly and advised to attend the initial meeting of Council prior to the annual meeting of the Institute. They shall take office as provided in section 6.6.

(See section 610R.)

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[The next page is 5731.]

**BL Section 610R*****Implementing Resolution Under Section 6.1  
Members of Council Directly Elected by  
Members of the Institute***

**As amended  
January 12, 1988**

**Under Section 6.1.6 Election*****Resolved:***

.01 That the withdrawal of a nomination for whatever reason after the balloting has commenced will not be acted upon until the certification of election has been completed. Vacancies then arising will be filled in accordance with section 6.5 of the bylaws, except that in states where the number of nominees exceeds the number of vacancies, the vacancy created by any withdrawal will be filled by that nominee having the highest number of votes after all other vacancies have been filled.

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[The next page is 5741.]

**BL Section 620*****6.2 Selection of Members of Council to Represent State Societies***

**As amended  
June 17, 1996**

.01 Each recognized state society of certified public accountants shall designate, in a manner it deems appropriate, an Institute member to represent it on the Council. The term of each member of the Council so designated shall commence upon notification of the secretary by the society designating him at the meeting of Council held in conjunction with the annual meeting of the Institute and shall run for one year or until the designation of his successor, provided that no such member of the Council shall represent a state society for more than six consecutive years.

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**[The next page is 5751.]**

**BL Section 630****6.3 Election of Members-at-Large of Council,  
Board of Directors, Chairman of the Board,  
and Vice Chairman of the Board**

**As amended  
January 14, 1992,  
unless otherwise  
indicated**

.01 Seven Institute members, without regard to the states in which they reside, shall be elected annually by the Council as members-at-large of the Council, at its meeting held in conjunction with the annual meeting of the Institute, and immediately prior to the installation of the members of the Council newly elected under section 6.1, for a term of three years or until the election of their successors. At the same meeting, but subsequent to the installation of such newly elected members of the Council, including members-at-large, the Council shall elect the chairman of the board, the vice chairman of the board, and five Institute members of the Board of Directors. Such five members of the Board of Directors shall serve for a term of three years or until election of their successors. The Council shall also elect one representative of the public, who is not a member of the Institute, to the Board of Directors for a term of three years, or until election of a successor. Nominations for all such positions shall be made by the nominations committee at least six months prior to the annual meeting of the Institute, and notice thereof shall be published to the membership of the Institute at least five months prior to such annual meeting. Independent nominations may be made by any twenty members of the Council if filed with the secretary at least four months prior to the annual meeting of the Institute. No nominations from the floor will be recognized. A majority of votes shall elect. Nominees may be invited to the meeting at which the election is to be held, and those elected shall take office as prescribed in section 6.6.

[As amended by Council June 17, 1996.]

.02 No member having served for two consecutive full terms as a member-at-large of the Council shall be eligible to serve another such term until at least one year after the completion of his second consecutive full term.

**6.3.1. Re-election to Board of Directors**

No elected member of the Board of Directors who has served a full three-year term shall be eligible for re-election to such a term until the meeting of the Council one year after the completion of his full three-year term, provided, however, that a public member may be elected to serve a second three-year term.

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[The next page is 5781.]

**BL Section 640*****6.4 Forfeiture of Office for Nonattendance***

**As amended  
January 12, 1988**

.01 Any directly elected member or member-at-large of Council who shall be absent from three consecutive meetings shall forfeit his seat.

[Section renumbered as a result of the deletion of the former sections 640 and 640R by Council on June 17, 1996.]

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**[The next page is 5791.]**

## **BL Section 650**

### **6.5 Vacancies**

**As amended  
June 17, 1996**

.01 Vacancies in the membership of Council, or in the Board of Directors, or in any of the offices of the Institute elected by the Council, occurring between annual meetings of the Institute, may be filled by election of replacements by the Council, either at a meeting of Council or by mail ballot, under such conditions as the Council may prescribe. If the Council should so replace a directly elected member of the Council, such interim appointment will run only until his seat is filled by direct election of the membership of his state as provided in these bylaws.

.02 Pending action by the Council to fill a vacancy among any of the officers of the Institute who are elected by the Council, the Board of Directors may appoint a temporary successor to act in the capacity indicated.

(See section 650R.)

[Section renumbered as a result of the deletion of the former sections 640 and 640R by Council on June 17, 1996.]

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[The next page is 5801.]

**BL Section 650R*****Implementing Resolution Under  
Section 6.5 Vacancies***

**As amended  
June 17, 1996**

***Resolved:***

.01 That if a vacancy occurs in the membership of Council, or in the Board of Directors, or in any of the offices of the Institute elected by the Council between annual meetings of the Institute, the Board of Directors shall recommend replacements for election by Council. Voting on such replacement may be conducted by mail ballot, in which case provision shall be made for write-in votes, or at the next meeting of Council, as may appear most desirable in the circumstances. If the voting takes place at a Council meeting, nominations from the floor shall be permitted; voting may be by voice vote, or, at the request of a majority of those present, by written ballot. A majority vote shall elect. In any event, persons elected to fill vacancies in the Board of Directors, in the Council, or in any of the offices of the Institute elected by the Council shall serve only for the remainder of the unexpired term of the previous incumbent or until a successor is elected.

[Section renumbered as a result of the deletion of the former sections 640 and 640R by Council on June 17, 1996.]

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[The next page is 5811.]

**BL Section 660****6.6 Election Meeting of Council**

**As amended  
June 17, 1996**

.01 At the meeting of the Council held in conjunction with the annual meeting of the Institute, following the completion of such other business as the Council may transact, the Council shall elect new members-at-large of the Council pursuant to section 6.3. New members-at-large shall then take office, replacing those members-at-large whose terms shall have expired. Then the presiding officer shall announce the installation of members of the Council newly elected under section 6.1, at which time they shall take office, replacing those directly elected members of Council whose terms shall have expired. Election of officers who are elected by the Council, new members of the Board of Directors, and others shall then be held, and each officer or member of the Board of Directors so elected shall replace his predecessor upon such election, provided, however, that the retiring chairman of the board shall continue in office through the end of the annual meeting of the Institute.

[Section renumbered as a result of the deletion of the former sections 640 and 640R by Council on June 17, 1996.]

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[The next page is 5851.]



## BL Section 700

# 7. TERMINATION OF MEMBERSHIP AND DISCIPLINARY SANCTIONS

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[The next page is 5861.]

**BL Section 701*****Termination of Membership and  
Disciplinary Sanctions***

**As amended  
January 12, 1988**

.01 This article shall govern the termination or suspension of membership in the Institute, whether imposed as a matter of discipline or voluntarily sought, and the imposition of any other disciplinary sanction, or administrative reprimand, whether public or private, or imposition of conditions for retention of membership.

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**[The next page is 5871.]**

**BL Section 710****7.1 Resignation of Membership**

**As amended  
January 12, 1988**

.01 Resignations of members shall be in writing and may be offered at any time. Actions on such resignations and applications for reinstatement of resigned members shall be taken by the Board of Directors under such provisions as the Council may prescribe. Council may make separate provision for action on resignations of members not in good standing or against whom disciplinary proceedings or investigations are pending and on applications for reinstatement of persons whose resignation was accepted when in such classification.

(See section 710R.)

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**[The next page is 5881.]**

**BL Section 710R*****Implementing Resolution Under Section 7.1  
Resignation of Membership***

**As amended  
January 12, 1988**

***Resolved:***

.01 That the Board of Directors shall act upon resignation of members, which shall become effective on the date of acceptance, but no action shall be taken on the resignation of a member with respect to whom charges are under investigation by the professional ethics division, or against whom a complaint is pending before the trial board, unless the division or the trial board, as the case may be, recommends that such resignation be accepted. If a person whose resignation was accepted when he was under investigation or the object of a complaint should subsequently apply for reinstatement, the Board of Directors shall not reinstate such person without the consent of the division or the trial board, as the case may be.

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**[The next page is 5891.]**

**BL Section 720*****7.2 Termination of Membership for  
Nonpayment of Financial Obligation  
or for Failure to Comply With  
Membership-Retention Requirements***

**As amended  
January 12, 1988**

.01 The Board of Directors may, in its discretion, terminate the membership of a member who fails to pay dues or any other obligation to the Institute within five months after such debt has become due and terminate the membership of a member who fails to comply with the practice-monitoring or continuing education membership-retention requirements. The Council shall provide for consideration and disposition by the trial board, with or without hearing, of a timely written petition that membership should not be terminated pursuant to this section. Any membership so terminated may be reinstated by the Board of Directors, under such conditions and procedures as the Council may prescribe.

(See section 720R.)

**7.2.1 Termination of Association of International Associate**

The Council may terminate the affiliation of an international associate in its discretion.

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**[The next page is 5901.]**

**BL Section 720R****Implementing Resolution Under  
Section 7.2 Termination of Membership  
for Nonpayment of Financial Obligation  
or for Failure to Comply With  
Membership-Retention Requirements**

As amended  
January 12, 1988

***Resolved:***

.01 That if a person whose membership has terminated for nonpayment of dues or other financial obligation shall apply for reinstatement, the Board of Directors, in its discretion, may reinstate the member, provided that all dues and other obligations owing to the Institute at the time membership was terminated shall have been paid.

***Further Resolved:***

.02 That if a person whose membership has terminated for failure to comply with membership-retention requirements relating to CPE or practice-monitoring shall apply for reinstatement, the Board of Directors, in its discretion, may reinstate the person as a member provided the person shall have satisfactorily demonstrated that the failure to comply with the CPE or practice-monitoring requirements has been rectified.

***Further Resolved:***

.03 That no person shall be considered to have resigned in good standing if at the time of resignation the person was in debt to the Institute for dues or other obligations. A member submitting a resignation after the beginning of the fiscal year, but before expiration of the time limit for payment of dues or other obligations, may attain good standing by paying dues prorated according to the portion of the fiscal year which has elapsed, provided obligations other than dues shall have been paid in full.

.04 A member who has resigned or whose membership has terminated in any manner may not file a new application for admission but may apply for reinstatement under this resolution or applicable provisions of the bylaws.

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[The next page is 5911.]

## BL Section 730

### **7.3 Disciplinary Suspension and Termination of Membership Without a Hearing**

**As amended  
January 12, 1988**

.01 Membership in the Institute shall be suspended or terminated without a hearing for disciplinary purposes as provided in sections 7.3.1 and 7.3.2, under such conditions and by such procedure as shall be prescribed by the Council.

(See section 730R.)

#### **7.3.1 Criminal Conviction of Member**

Membership in the Institute shall be suspended without a hearing should there be filed with the secretary of the Institute a judgment of conviction imposed upon any member for

**7.3.1.1** A crime punishable by imprisonment for more than one year;

**7.3.1.2** The willful failure to file any income tax return which he, as an individual taxpayer, is required by law to file;

**7.3.1.3** The filing of a false or fraudulent income tax return on his or a client's behalf; or

**7.3.1.4** The willful aiding in the preparation and presentation of a false and fraudulent income tax return of a client; and

shall be terminated in like manner upon the similar filing of a final judgment of conviction; however, the Council shall provide for the consideration and disposition by the trial board, with or without hearing, of a timely written petition of any member that his membership should not be suspended or terminated pursuant to section 7.3.1.1, herein.

#### **7.3.2 Suspension or Revocation of Certificate**

Membership in the Institute shall be suspended without a hearing should a member's certificate as a certified public accountant or license or permit to practice as such or to practice public accounting be suspended as a disciplinary measure by any governmental authority; but, such suspension of membership shall terminate upon reinstatement of the certificate, or such membership in the Institute shall be terminated without hearing should such certificate, license, or permit be revoked, withdrawn, or cancelled as a disciplinary measure by any governmental authority. The Council shall provide for the consideration and disposition by the trial board, with or without hearing, of a timely written petition of any member that his membership should not be suspended or terminated pursuant to this section 7.3.2.

**7.3.3 Trial Board Disciplining Not Precluded**

Application of the provisions of section 7.3.1 and section 7.3.2 shall not preclude the summoning of the member concerned to appear before a hearing panel of the trial board pursuant to section 7.4.

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[The next page is 5921.]



**BL Section 730R*****Implementing Resolution Under Section 7.3  
Disciplinary Suspension and Termination of  
Membership Without a Hearing***

**As amended  
January 12, 1988,  
unless otherwise  
indicated**

***Resolved:***

**.01 (1)** That the membership of a member who is convicted by a court of any of the criminal offenses enumerated in section 7.3.1 of the bylaws shall become automatically suspended upon the mailing of a notice of such suspension, as provided in paragraph (5) of this resolution. Such notice shall be mailed within a reasonable time after a certified copy of a judgment of conviction of such criminal offense has been filed with the secretary of the Institute.

**.02 (2)** That the membership of a member who has been convicted by a court of any of the offenses enumerated in section 7.3.1 of the bylaws, and which conviction has become final, shall become automatically terminated upon the mailing of a notice of such termination, as provided in paragraph (5) of this resolution. Such notice shall be mailed within a reasonable time after a certified copy of such conviction and evidence that it has become final has been filed with the secretary of the Institute.

**.03 (3)** That the membership of a member whose certificate as a certified public accountant, or license or permit to practice as such or to practice public accounting has been suspended as a disciplinary measure by any governmental authority shall, except as provided in paragraph (6) of this resolution, become automatically suspended upon the expiration of thirty days after the mailing of a notice of such suspension, as provided in paragraph (5) of this resolution. Such notice shall be mailed within a reasonable time after a statement of such governmental authority, showing that such certificate, license, or permit has been suspended and specifying the cause and duration of such suspension, has been filed with the secretary of the Institute. Such automatic suspension shall cease upon the expiration of the period of suspension so specified.

**.04 (4)** That the membership of a member whose certificate as a certified public accountant, or license or permit to practice as such or to practice public accounting has been revoked, withdrawn, or cancelled as a disciplinary measure by any governmental authority shall, except as provided in paragraph (6) of this resolution, become automatically terminated upon the expiration of thirty days after the mailing of a notice of such termination, as provided in paragraph (5) of this resolution. Such notice shall be mailed within a reasonable time after a statement of such governmental authority showing that such certificate, license, or permit has been revoked, withdrawn, or cancelled and specifying the cause of such revocation, withdrawal, or cancellation has been filed with the secretary of the Institute.

.05 (5) That notices of suspension or termination pursuant to paragraph (1), (2), (3), or (4) of this resolution shall be signed by the secretary of the Institute and mailed by registered or certified mail, postage prepaid, addressed to the member concerned at his or her last known address according to the official records of the Institute, which are the records of the membership department.

[As revised by Council June 17, 1996.]

.06 (6) That the operation of paragraph (1), (2), (3), or (4) of this resolution shall become postponed if, within thirty days after mailing the notice of suspension or termination, the secretary of the Institute receives a request from the member concerned that the pertinent provision shall not become operative. The request shall state briefly the facts and reasons relied upon. All such requests shall be referred to the trial board for action thereon by the trial board or by an ad hoc committee thereof consisting of at least five members appointed by the chairman of the trial board or vice chairman, when acting as chairman. If the request is denied, the suspension or termination, as the case may be, shall become effective upon such denial, and the member concerned shall be so notified in writing by the secretary. No appeal to the trial board shall be allowable with respect to a denial of such a request by the ad hoc committee. If the request is granted, the suspension or termination, as the case may be, shall not become effective. In such event, the secretary shall transmit the matter to the professional ethics division to take whatever action it considers proper in the circumstances. A determination that paragraph (1), (2), (3), or (4) of this resolution shall not become operative shall be made only when it clearly appears that, because of exceptional or unusual circumstances, it would be inequitable to permit such automatic suspension or termination.

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[The next page is 5931.]

## BL Section 740

### ***7.4 Disciplining of Member by Trial Board***

**As amended  
January 12, 1988**

.01 Under such conditions and by such procedure as the Council may prescribe, a hearing panel of the trial board, by a two-thirds vote of the members present and voting, may expel a member (except as otherwise provided in section 7.4.3), or by a majority vote of the members present and voting, may suspend a member for a period not to exceed two years not counting any suspension imposed under sections 7.3.1 and 7.3.2, or may impose such lesser sanctions as the Council may prescribe on any member if the member

**7.4.1** Infringes any of these bylaws or any rule of the Code of Professional Conduct;

**7.4.2** Is declared by a court of competent jurisdiction to have committed any fraud;

**7.4.3** Is held by a hearing panel of the trial board to have been guilty of an act discreditable to the profession, or to have been convicted of a criminal offense which tends to discredit the profession; provided that should a hearing panel of the trial board find by a majority vote that he has been convicted by a criminal court of an offense involving moral turpitude, or any of the offenses enumerated in section 7.3.1, the penalty shall be expulsion;

**7.4.4** Is declared by any competent court to be insane or otherwise incompetent;

**7.4.5** Is subject to the suspension, revocation, withdrawal, or cancellation of the member's certificate as a certified public accountant or license or permit to practice as such or to practice public accounting as a disciplinary measure by any governmental authority; or

**7.4.6** Fails to cooperate with the professional ethics division in any disciplinary investigation of the member or a partner or employee of the firm by not making a substantive response to interrogatories or a request for documents from a committee of the professional ethics division or by not complying with the educational and remedial or corrective action determined to be necessary by the professional ethics executive committee, within thirty days after the posting of notice of such interrogatories, or a request for documents, or directive to take CPE or corrective action by registered or certified mail, postage prepaid, to the member at his or her last known address shown on the books of the Institute.

.02 With respect to a member residing in a state in which the state society has entered into an agreement approved by the Institute's Board of Directors to deal with complaints against society members in cooperation with the professional ethics division, disciplinary hearings shall be conducted before a hearing panel of the joint trial board.

(See section 740R.)

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[The next page is 5941.]

**BL Section 740R****Implementing Resolution Under Section 7.4  
Disciplining of Member by Trial Board**

As amended  
January 12, 1988,  
unless otherwise  
indicated

***Resolved:***

.01 (1) Any complaint preferred against a member under section 7.4 of the bylaws shall be submitted to the professional ethics division, which in turn may refer the complaint for investigation and recommendation to an ethics committee (or its equivalent) of a state society of certified public accountants that has made an agreement with the Institute of the type authorized in section 7.4 of the bylaws. If, upon consideration of the complaint, investigation and/or recommendation thereon, it appears that a prima facie case is established showing a violation of any applicable bylaws or any rule of the Code of Professional Conduct of the Institute or any state society making an agreement with the Institute referred to above or showing any conduct discreditable to a certified public accountant, the professional ethics division or the ethics committee of such state society, except as provided in the implementing resolution under section 3.6.2.2 of the bylaws, shall report the matter to the secretary of the joint trial board who shall summon the member involved to respond to the charges preferred against the member, which response may include the entering of a plea of guilty without a hearing, in accordance with rules established by the trial board, provided, however, that with respect to a case in which the trial board has granted a request that automatic suspension or termination shall not become operative under the provisions of paragraph (6) in the implementing resolution under section 7.3.2 of the bylaws, the division or such state society ethics committee shall have discretion as to whether and when to report the matter to the secretary for such summoning.

**.02 (2)**

- (a) If the professional ethics division or state society ethics committee dismisses any complaint preferred against a member or shall fail to initiate its inquiry within ninety days after such complaint is presented to it in writing, the member preferring the complaint may present the complaint in writing to the trial board, provided, however, that this provision shall not apply to a case falling within the scope of section 7.3.
- (b) The chairman of the trial board shall cause such investigation to be made of the matter as he may deem necessary, and shall either dismiss the complaint or refer it to the secretary of the trial board who shall summon the member to answer the complaint in accordance with the provisions in paragraph (1) hereof.
- (c) Prior to causing the investigation referred to in paragraph (b), the chairman of the trial board shall designate six members of the trial

board who shall not be involved in such investigation in order that five of them may be appointed to an independent hearing panel if necessary. He shall report the names of such members to the secretary of the trial board prior to any action under paragraph (b).

**.03** (3) For the purpose of adjudicating charges against members of the Institute, as provided in the foregoing paragraphs of this resolution, the following must take place:

- (a) The secretary shall mail to the member concerned, at least thirty days prior to the proposed meeting of a panel appointed to hear the case, written notice of the charges to be adjudicated. Such notice, when mailed by registered or certified mail, postage pre-paid, addressed to the member concerned at the member's last known address according to the official records of the Institute, which are the records of the membership department, shall be deemed properly served.
- (b) After considering the evidence presented by the professional ethics division or other complainant and by the defense, the panel hearing the case, a quorum present, by vote of the members present and voting, may, in a manner consistent with section 7.4 of the bylaws, admonish, suspend for a period of not more than two years, or expel the member against whom the complaint is made and take such other disciplinary, remedial or corrective action as the panel deems appropriate.
- (c) In a case decided by a panel, the member concerned may request a review by the trial board of the decision of the panel, provided such a request for review is filed with the secretary of the trial board at the principal office of the Institute within thirty days after the decision of the panel, and that such information as may be required by the rules of the trial board shall be filed with such request. Such a review shall not be a matter of right. Each such request for a review shall be considered by an ad hoc committee to be appointed by the chairman of the trial board, or its vice chairman in the event of his unavailability, and composed of not less than three members of the trial board who did not participate in the prior proceedings in the case. The ad hoc committee shall have power to decide whether such request for review by the trial board shall be granted, and such committee's decision that such request shall not be granted shall be final and subject to no further review. A quorum of such ad hoc committee shall consist of a majority of the appointed. If such request for review is granted, the trial board shall review the decision of the panel in accordance with its rules of practice and procedure. On review of such decision, the trial board may affirm, modify, or reverse all or any part of such decision or make such other disposition of the case as it deems appropriate. The trial board may, by general rule, indicate the character of reasons that may be considered to be of sufficient importance to warrant an ad hoc committee granting a request for review of a decision of a panel.
- (d) Any decision of the trial board, including any decision reviewing a decision of a panel, shall become effective when made, unless the trial board's decision indicates otherwise, in which latter event it shall become effective at the time determined by the trial board. Any decision of a panel shall become effective as follows:

- (i) Upon the expiration of thirty days after it is made, if no request for review is properly filed within such thirty-day period.
- (ii) Upon the denial of a request for review, if such request has been properly filed within such thirty-day period and is denied by an ad hoc committee.
- (iii) Upon the date of a decision of a review panel affirming the decision of a hearing panel in cases where a review has been granted by an ad hoc committee.
- (e) A plea of guilty, if it conforms to the rules and procedures of the trial board, shall become effective upon acceptance by the trial board.

[As revised by Council June 17, 1996.]

.04 (4) In the case of a settlement agreement between a member and the professional ethics executive committee that provides for suspension or termination of membership pursuant to the Council resolution implementing bylaw section 3.6.2.2, the matter shall be referred to a panel of the trial board which, upon finding that there has been a waiver of the member's rights under Article 7.4, shall recognize such settlement agreement and arrange for publication of such disciplinary action under section 7.6 of the bylaws.

[As revised by Council May 26, 1993.]

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[The next page is 5951.]

**BL Section 750****7.5 Reinstatement**

**As amended  
January 12, 1988**

.01 The Council may prescribe the conditions and procedures under which members suspended or terminated under sections 7.3 and 7.4 may be reinstated.

(See section 750R.)

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**[The next page is 5961.]**

**BL Section 750R****Implementing Resolution Under  
Section 7.5 Reinstatement**

As amended  
January 12, 1988,  
unless otherwise  
indicated

***Resolved:***

.01 (1) That at any time after the publication in a membership periodical of the Institute of a statement of a case and decision, including cases in which a guilty plea was entered without a hearing, on application of the member concerned, the appropriate panel of the trial board that last heard the case and whose decision provided the basis for the publication or, in the case of a guilty plea, a newly formed panel, may, by a two-thirds vote of the members present and voting, recall, rescind, or modify such decision, which action shall be published in the membership periodical of the Institute. The denial of an application under this section shall not prevent the member concerned from applying for reinstatement under section (2) hereof.

[As revised by Council May 26, 1993.]

**.02 (2) That**

- (a) Should a judgment of conviction or an order of a governmental authority on which the suspension or termination of membership was based under section 7.3 of the bylaws be reversed or otherwise set aside or invalidated, such suspension shall terminate or such member shall become reinstated when a certified copy of the order reversing or otherwise setting aside or invalidating such conviction or order is filed with the secretary of the joint trial board, who shall refer the matter to the professional ethics division for whatever action it deems appropriate.
- (b) A member who has been suspended or expelled by the trial board pursuant to section 7.4 of the bylaws may request that the suspension terminate or may request reinstatement if a judgment of conviction, an order or finding of any court, or an order of the governmental authority on which the suspension or expulsion was based has been reversed or otherwise set aside or invalidated. Such request shall be referred to the trial board whereupon a hearing panel composed of five members designated by the chairman of the trial board may, after investigating all related circumstances, terminate the suspension or reinstate the member concerned by a majority vote of the members present and entitled to vote.
- (c) Except as provided in subparagraphs (a) and (b) of this paragraph (2), a member whose membership has been automatically terminated under section 7.3, or who has been expelled by or had his resignation accepted by a panel of the trial board may, at any time after three years from the effective date of such termination, expulsion, or accep-



tance of resignation, request reinstatement of his membership. Such request shall be referred to the trial board, whereupon the chairman shall designate five members of the board to a hearing panel which may, after investigation, reinstate such member on such terms and conditions as it shall determine to be appropriate. If an application for reinstatement under this subparagraph is denied, the member concerned may again apply for reinstatement at any time after two years from the date of such denial.

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[The next page is 5971.]

**BL Section 760*****7.6 Publication of Disciplinary Action***

**As amended  
January 12, 1988**

.01 Notice of disciplinary action pursuant to section 7.3 or 7.4 or of termination of participation of a member's firm in an Institute-approved practice-monitoring program, together with a statement of the reasons therefor, shall be published in such form and manner as the Council may prescribe.

(See section 760R.)

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**[The next page is 5981.]**

**BL Section 760R*****Implementing Resolution Under Section 7.6  
Publication of Disciplinary Action***

**As amended  
May 26, 1993**

***Resolved:***

.01 That notice of disciplinary action taken under section 7.3 or 7.4 of the bylaws and the basis therefor shall be published in a membership periodical of the Institute and the professional ethics division shall maintain a record of such information and disclose that information upon request. In the case of a suspension or termination pursuant to section 7.3 of the bylaws, such notice shall be in a form approved by the chairman of the trial board, and shall disclose the name of the member concerned. In any action pursuant to section 7.4 of the bylaws in which the member is found guilty or has entered into a settlement agreement with the professional ethics executive committee that involves suspension or termination of membership, the trial board or panel hearing the case shall decide on the form of the notice of the case and the decision to be published, which notice shall disclose the name of the member involved and the terms and conditions of any settlement agreement. The statement and decision, as released by the chairman, trial board, or hearing panel, shall be published in a membership periodical of the Institute. No such publication shall be made until such decision has become effective.

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[The next page is 5991.]

**BL Section 770*****7.7 Disciplinary Sections Not to Be Applied Retroactively***

**As amended  
January 12, 1988**

.01 Sections 7.3 and 7.4 shall not be applied to offenses of wrongful conduct occurring prior to their effective dates, but such offenses shall be subject to discipline under the bylaws of the Institute in effect at the time of their occurrence.

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**[The next page is 6021.]**

**BL Section 800**  
**8. AMENDMENTS**

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**[The next page is 6031.]**

**BL Section 801*****Amendments***

**As amended  
January 12, 1988**

**.01 Amendments to these bylaws and the Code of Professional Conduct shall be accomplished in a manner consistent with this article.**

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**[The next page is 6041.]**

**BL Section 810****8.1 *Proposals to Amend the Bylaws***

**As amended  
June 17, 1996**

.01 Proposals to amend the bylaws may be made by any thirty members of the Council, by any two hundred or more members of the Institute in good standing, by the Board of Directors, or by petition of 5 percent of the membership as of the end of the prior fiscal year. Any such petition shall include the member's name (typed or printed), membership number and the date it is signed, and the signature of a member on such a petition shall be valid for one year from the date thereof. The changes to this provision will not apply to petitions, regardless of when they are signed, submitted pursuant to efforts to gather such petitions which were ongoing as of July 13, 1995.

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[The next page is 6051.]

**BL Section 820****8.2 Proposals to Amend the Code of Professional Conduct**

**As amended  
June 17, 1996**

.01 Proposals to amend the Code of Professional Conduct may be made by any thirty members of the Council, by any two hundred or more members of the Institute in good standing, by the Board of Directors, by the professional ethics division, or by petition of 5 percent of the membership as of the end of the prior fiscal year. Any such petition shall include the member's name (typed or printed), membership number and the date it is signed, and the signature of a member on such a petition shall be valid for one year from the date thereof. The changes to this provision will not apply to petitions, regardless of when they are signed, submitted pursuant to efforts to gather such petitions which were ongoing as of July 13, 1995.

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**[The next page is 6061.]**



**BL Section 830****8.3 Submission to Council via  
Board of Directors**

**As amended  
January 12, 1988**

.01 All such proposals to amend the bylaws or the Code of Professional Conduct, unless made at a meeting of the Council or the Board of Directors, shall be submitted in writing to the Board of Directors. The Board of Directors shall submit all such proposals, accompanied by its recommendation, to the Council for action.

**8.3.1 Proposals Not Requiring Council Approval**

Following discussion at a meeting of the Council, proposals sponsored by at least 5 percent of the membership shall be submitted to the membership of the Institute for vote by mail ballot pursuant to section 8.4.

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**[The next page is 6071.]**

**BL Section 840*****8.4 Submission to Membership by Mail Ballot***

**As amended  
January 12, 1988**

.01 Amendments proposed under section 8.3.1 and those authorized by the Council under section 8.3 shall be submitted to all of the members of the Institute for a vote by mail ballot on or after ninety days following discussion by the Council, but no later than 180 days following such discussion. If at least two-thirds of those voting approve such proposal, it shall become effective as an amendment to the bylaws or to the Code of Professional Conduct, as applicable. Mail ballots shall be considered valid and counted only if received in the Institute's principal office within sixty days from the date of mailing the ballots to the members.

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**[The next page is 6131.]**

**BL Section 900**  
**GENERAL**

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## BL Section 911

### ***AICPA Mission Statement\****

.01 The American Institute of Certified Public Accountants is the national professional organization for all Certified Public Accountants. Its mission is to provide members with the resources, information, and leadership that enable them to provide valuable services in the highest professional manner to benefit the public as well as employers and clients.

In fulfilling its mission, the AICPA works with state CPA organizations and gives priority to those areas where public reliance on CPA skills is most significant.

To achieve its mission, the Institute:

#### *Advocacy*

- Serves as the national representative of CPAs before governments, regulatory bodies and other organizations in protecting and promoting members' interests.

#### *Certification and Licensing*

- Seeks the highest possible level of uniform certification and licensing standards and promotes and protects the CPA designation.

#### *Communications*

- Promotes public awareness and confidence in the integrity, objectivity, competence, and professionalism of CPAs and monitors the needs and views of CPAs.

#### *Recruiting and Education*

- Encourages highly qualified individuals to become CPAs and supports the development and outstanding academic programs.

#### *Standards and Performance*

- Establishes professional standards; assists members in continually improving their professional conduct, performance, and expertise; and monitors such performance to enforce current standards and requirements.

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[The next page is 6151.]

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\* **Note:** The Mission Statement, developed in 1986 by the Mission of AICPA Special Committee, was revised by the Strategic Planning Committee and approved by Council in May 1991. The Strategic Objectives were revised in November 1993 and again in November 1995.

## BL Section 921

# ***A Description of the Professional Practice of Certified Public Accountants***

**.01** Certified public accountants practice in the broad field of accounting.

**.02** Accounting is a discipline which provides financial and other information essential to the efficient conduct and evaluation of the activities of any organization.

**.03** The information which accounting provides is essential for (1) effective planning, control, and decision-making by management, and (2) discharging the accountability of organizations to investors, creditors, government agencies, taxing authorities, association members, contributors to welfare institutions, and others.

**.04** Accounting includes the development and analysis of data, the testing of their validity and relevance, and the interpretation and communication of the resulting information to intended users. The data may be expressed in monetary or other quantitative terms, or in symbolic or verbal forms.

**.05** Some of the data with which accounting is concerned are not precisely measurable, but necessarily involve assumptions and estimates as to the present effect of future events and other uncertainties. Accordingly, accounting requires not only technical knowledge and skill, but even more important, disciplined judgment, perception, and objectivity.

**.06** Within this broad field of accounting, certified public accountants are the identified professional accountants. They provide leadership in accounting research and education. In the practice of public accounting CPAs bring competence of professional quality, independence, and a strong concern for the usefulness of the information and advice they provide, but they do not make management decisions.

**.07** The professional quality of their services is based upon experience and the requirements for the CPA certificate—education and examination—and upon the ethical and technical standards established and enforced by their profession.

**.08** CPAs have a distinctive role in auditing financial statements submitted to investors, creditors, and other interested parties, and in expressing independent opinions on the fairness of such statements. This distinctive role has inevitably encouraged a demand for the opinions of CPAs on a wide variety of other representations, such as compliance with rules and regulations of government agencies, sales statistics under lease and royalty agreements, and adherence to covenants in indentures. [Revised, July 1997, to reflect conforming changes necessary due to the issuance of Statement on Auditing Standards No. 58.]

**.09** The audit of financial statements requires CPAs to review many aspects of an organization's activities and procedures. Consequently they can advise clients of needed improvements in internal control and make constructive suggestions on financial, tax, and other operating matters. [Revised, July 1997, to reflect conforming changes necessary due to the issuance of Statement on Auditing Standards No. 58.]

.10 In addition to furnishing advice in conjunction with their independent audits of financial statements, CPAs are engaged to provide objective advice and consultation on various management problems. Many of these involve information and control systems and techniques, such as budgeting, cost control, profit planning, internal reporting, automatic data processing, and quantitative analysis. CPAs also assist in the development and implementation of programs approved by management. [Revised, July 1997, to reflect conforming changes necessary due to the issuance of Statement on Auditing Standards No. 58.]

.11 Among the major management problems depending on the accounting function is compliance with tax requirements. An important part of the practice of CPAs includes tax planning and advice, preparation of tax returns, and representation of clients before government agencies.

.12 CPAs also participate in conferences with government agencies such as the Securities and Exchange Commission, and with other interested parties, such as bankers.

.13 Like other professionals, CPAs are often consulted on business, civic, and other problems on which their judgment, experience, and professional standards permit them to provide helpful advice and assistance.

.14 The complexities of an industrial society encourage a high degree of specialization in all professions. The accounting profession is no exception. Its scope is so wide and varied that many individual CPAs choose to specialize in particular types of service.

.15 Although their activities may be diverse, all CPAs have demonstrated basic competence of professional quality in the discipline of accounting. It is this which unites them as members of one profession, and provides a foundation for extension of their services into new areas.

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